

SCORE SouthEast Wisconsin

FRANCHISE PURCHASE CHECKLIST

Franchisor Company Background

How long has the franchisor been in business itself, and how long been offering franchises?

Check with Better Business Bureau

What are its future growth plans?

Names and telephone numbers of some current owners - one year, three year, and five year

Product / Service

Is it a staple, a fad, a luxury item, seasonal?

What are current sales, by territory and individual outlet? Growth rates and patterns?

Competitively priced? Attractively packaged?

Where sold now? Best locations and markets?

Clear advantages? Negative aspects?

Market potential? Anticipated growth?

Expected sales? Anticipated net income? Fluctuations?

Can you return merchandise for credit?

Sales Territory

Defined territory. Large enough? Neighboring franchisees? If successful, where next?

Adjacent competition?

Contract

For each Party: Responsibilities and obligations

For each Party: Benefits and protections

Provisions for contract renewal, termination, and transfer?

Standards for maintaining minimal or adequate quality, service?

Financial

Purchase price of Franchise with all start up fees

An additional fixed payment every year?

A percentage of gross sales to be given?

Financial quarterly/annual statements required?

Will Franchisor help finance equipment?

Direct loans to qualified owner?

Mandated purchases from franchisor?

Startup Help

Orientation and startup education

How does Franchisor handle store site selection, lease arrangements interior layout and design, displays, selecting opening inventory etc.

Does Franchisor assist with a detailed and personalized Business Plan?

Ideas and dollars for opening promotions to kick-start operations

Purchasing guidelines and help offered?

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Training

Are Manuals, sales kits, inventory controls, and accounting systems supplied?

Is purchasing guidance offered?

Training in new products and procedures – how handled?

Restrictions

Can franchisee engage in other non-related business activities?

Continuing Assistance

Periodic market surveys and analysis offered?

Ongoing training for owners and key employees for new products and procedures?

Will Franchisor share costs of local promotions and advertising?

Advertising aids offered?

Any national advertising offered?

Web sites

US:

www.ftc.gov/

www.franchisee.org

www.frannet.com

www.aafd.org

Wisconsin:

www.wdfr.org/fi/securities/franchise/